



OFFICE OF  
**INSPECTOR GENERAL**  
U.S. DEPARTMENT OF THE INTERIOR

**U.S. Fish and Wildlife Service Grants  
Awarded to the State of Alabama,  
Department of Conservation and Natural  
Resources, Division of Wildlife and  
Freshwater Fisheries, From October 1, 2016,  
Through September 30, 2018, Under the  
Wildlife and Sport Fish Restoration Program**

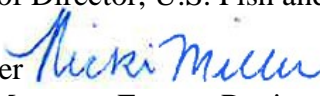


OFFICE OF  
**INSPECTOR GENERAL**  
U.S. DEPARTMENT OF THE INTERIOR

**FEB 17 2021**

Memorandum

To: Martha Williams  
Senior Advisor to the Secretary, Exercising the Delegated  
Authority of Director, U.S. Fish and Wildlife Service

From: Nicki Miller   
Regional Manager, Eastern Region

Subject: Final Audit Report – *U.S. Fish and Wildlife Service Grants Awarded to the State of Alabama, Department of Conservation and Natural Resources, Division of Wildlife and Freshwater Fisheries, From October 1, 2016, Through September 30, 2018, Under the Wildlife and Sport Fish Restoration Program*  
Report No. 2020-ER-013

This report presents the results of our audit of costs claimed by the State of Alabama, Department of Conservation and Natural Resources, Division of Wildlife and Freshwater Fisheries (Division), under grants awarded by the U.S. Fish and Wildlife Service (FWS) through the Wildlife and Sport Fish Restoration Program. We conducted this audit to determine whether the Division used grant funds and State hunting and fishing license revenue for allowable fish and wildlife activities and complied with applicable laws and regulations, FWS guidelines, and grant agreements. The audit period included claims totaling \$89.3 million on 70 grants that were open during the State fiscal years that ended September 30, 2017, and September 30, 2018.

We found that the Division generally ensured that grant funds and hunting and fishing license revenue were used for allowable fish and wildlife activities and complied with applicable laws and regulations, FWS guidelines, and grant agreements. We identified, however, ineligible questioned costs pertaining to a payment made to the National Bobwhite Conservation Initiative of \$5,000 (\$3,750 Federal share). We also determined that the Division lacked appropriate subaward oversight, inaccurately reported hunter education volunteer hours, reported program income incorrectly, did not disclose barter as required, and submitted late Federal financial reports.

We provided a draft of this report to the FWS. The FWS concurred with all 15 recommendations and will work with the Division to implement corrective actions. The full responses from the Division and the FWS are included in Appendix 5. We list the status of the recommendations in Appendix 6.

Please provide us with a corrective action plan based on our recommendations by May 17, 2021. The plan should provide information on actions taken or planned to address each

recommendation, as well as target dates and titles of the officials responsible for implementation. Please send your response to [aie\\_reports@doioig.gov](mailto:aie_reports@doioig.gov).

The legislation creating the Office of Inspector General requires that we report to Congress semiannually on all audit reports issued, actions taken to implement our recommendations, and recommendations that have not been implemented.

If you have any questions regarding this report, please contact me at 202-208-5745.

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# Introduction

## Objective

In June 2016, we entered into an intra-agency agreement with the U.S. Fish and Wildlife Service (FWS) to conduct audits of State agencies receiving grant funds under the Wildlife and Sport Fish Restoration Program. These audits fulfill the FWS' statutory responsibility to audit State agencies' use of these grant funds.

The objective of this audit was to determine whether the Alabama Department of Conservation and Natural Resources, Division of Wildlife and Freshwater Fisheries (Division), used grant funds and State hunting and fishing license revenue for allowable fish and wildlife activities and complied with applicable laws and regulations, FWS guidelines, and grant agreements. See Appendix 1 for details about our scope and methodology. See Appendix 2 for sites we reviewed.

## Background

The FWS provides grants to States<sup>1</sup> through its Wildlife and Sport Fish Restoration Program (WSFR) for the conservation, restoration, and management of wildlife and sport fish resources. WSFR was established by the Pittman-Robertson Wildlife Restoration Act and the Dingell-Johnson Sport Fish Restoration Act.<sup>2</sup> The Acts and related Federal regulations allow the FWS to reimburse grantees a portion of eligible costs incurred under WSFR grants—up to 75 percent for States and up to 100 percent for the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, and the Northern Mariana Islands. The reimbursement amount is called the Federal share. The Acts require that hunting and fishing license revenue be used only for the administration of State fish and wildlife agencies. In addition, Federal regulations require States to account for any income earned from grant-funded activities and to spend this income before requesting grant reimbursements.

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<sup>1</sup> The Wildlife and Sport Fish Restoration Program defines the term “State” to include the District of Columbia, the Commonwealth of Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands.

<sup>2</sup> Formally known, respectively, as the Federal Aid in Wildlife Restoration Act, 16 U.S.C. § 669, as amended, and the Federal Aid in Sport Fish Restoration Act, 16 U.S.C. § 777, as amended.

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# Results of Audit

We determined that the Division generally ensured that grant funds and hunting and fishing license revenue were used for allowable fish and wildlife activities and complied with applicable laws and regulations, FWS guidelines, and grant agreements. We noted, however, issues with an ineligible subaward payment, in addition to multiple control deficiencies.

We found the following:

- **Questioned Costs.** We questioned a \$5,000 (\$3,750 Federal share) subaward payment as ineligible.
- **Control Deficiencies.** We found opportunities to improve controls in subaward oversight, tracking of volunteer hours for hunter education, program income reporting, barter disclosure, timeliness of Federal financial reports, and reconciliation of real property.

See Appendix 3 for a statement of monetary impact.

We provided a draft of this report to the FWS for review. The FWS concurred with all 15 recommendations and will work with the Division to implement corrective actions. See Appendix 5 for the full text of the Division's and the FWS' responses; Appendix 6 lists the status of each recommendation.

## Questioned Costs—\$3,750 (Federal Share)

### Ineligible Payment to the National Bobwhite Conservation Initiative— Questioned Costs of \$3,750

The Division entered into a subaward agreement with the University of Tennessee, National Bobwhite Conservation Initiative (NBCI), a range-wide habitat plan for recovering bobwhite quail species to target densities set by State wildlife agencies, under Grant F16AF01076. In State fiscal year 2017, the Division paid \$5,000 to the University of Tennessee for the NBCI subaward expenditures from this grant.

The NBCI provides similar services detailed under the grant to other participating States. The NBCI also receives funding from external partners, including nonprofit, nongovernmental organizations, and other Federal agencies, some of which provide funding to the NBCI using non-Federal funds. In a separate review, we determined that the NBCI did not properly split or allocate expenditures among all participating States and external partners.<sup>3</sup> The NBCI did not have a policy or a sound and reasonable methodology to determine and allocate assignable

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<sup>3</sup> U.S. Fish and Wildlife Service Grants Awarded to the Commonwealth of Pennsylvania's Game Commission, From July 1, 2016, Through June 30, 2018, Under the Wildlife and Sport Fish Restoration Program (Report No. 2019-WR-005), dated December 2020.

expenditures among all participating States and external partners in proportion to the received benefits. Instead, NBCI officials described their funding as one “pot” of money from which to pay for expenses that benefited all participating States and external partners. This practice does not ensure expenditures are properly allocated to Federal grants.

Federal regulations at 2 C.F.R. § 200.403 state that costs must be allocable to the Federal award to be allowable. Under 2 C.F.R. § 200.405, a cost is allocable to a particular award if the goods and services involved are chargeable or assignable to that Federal award in accordance with the relative benefits received. Costs are also allocable if, when such costs benefit both the Federal award and other work of the non-Federal entity, they are distributed in proportions that may be approximated using reasonable methods. Part (d) of that section states that if a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects according to the proportional benefit.

In 2018, the NBCI implemented a new accounting methodology and procedures referred to as a recharge center to better allocate assignable grant expenditures. These new procedures are outside the scope of our audit. We separately evaluated, however, whether grant costs claimed using the recharge center method can reasonably allocate costs in proportion to the benefit provided. We issued a management advisory to the FWS to address the issue of costs claimed using this method.<sup>4</sup>

During the audit period, the NBCI did not have adequate accounting methodologies that allowed for proper allocation of expenditures among participating States and external partner accounts. Because the NBCI did not properly allocate the expenditures among all participating States and external partners in proportion to the received benefits, and because the NBCI did not distribute the costs using a reasonable methodology, the expenditures are considered unallocable to Federal awards. Therefore, these costs are ineligible to be charged to Wildlife and Sport Fish Restoration grants. We questioned \$5,000 (\$3,750 Federal share) that the Division paid to the University of Tennessee under Grant No. F16AF01076 as unallocable expenditures.

<b>Recommendation</b>
<p>We recommend that the FWS work with the Division to:</p> <ol style="list-style-type: none"><li>1. Resolve the questioned costs related to the NBCI subaward agreement totaling \$5,000 (\$3,750 Federal share)</li></ol>



<sup>4</sup> *Issues Identified With Wildlife Restoration Subawards to the University of Tennessee, National Bobwhite Conservation Initiative* (Report No. 2020-WR-019), dated July 2020.

## Control Deficiencies

### Lack of Appropriate Subaward Oversight

#### *The Division Did Not Make Subaward Versus Contract Determinations*

During the audit period, the Division classified its Program service and cooperative agreements as contracts when they should have been classified as subawards. Division officials reported they were not making the subaward versus contract determination during the audit period because they were awaiting guidance from management and the FWS on how to make the determination. Federal regulations (2 C.F.R. § 200.93) define a subrecipient as a non-Federal entity that receives a subaward (as defined in 2 C.F.R. § 200.92) from a pass-through entity (PTE) to carry out part of a Federal program. According to 2 C.F.R. § 200.330, a non-Federal entity may concurrently receive Federal awards as a recipient, a subrecipient, or a contractor, depending on the substance of its agreements with Federal awarding agencies and PTEs. Therefore, the Division must make case-by-case determinations whether each agreement it makes for the disbursement of Federal program funds casts the party receiving the funds in the role of a subrecipient or a contractor. Each designation entails different requirements for award decisions, performance monitoring, and reporting. Because the Division did not make the subaward versus contract determinations during the audit period, it did not comply with Federal regulations.

#### *Division Does Not Have Adequate Processes or Procedures for Subaward Management*

The Alabama Department of Conservation and Natural Resources issued a financial management process and procedure manual in November 2019 that includes procedures for subawards. We reviewed this manual to ensure the Division complied with the requirement to manage and monitor subawards according to Federal Regulations.

Although the manual includes a subaward versus contract checklist that grant managers should use to determine the proper award vehicle, the manual does not include 1) procedures on reporting subawards valued at more than \$25,000 on USASpending.gov, 2) procedures on the required elements of a subaward agreement, or 3) policies that require the Division to document risk assessments and monitoring requirements.

The manual does not contain procedures for reporting subawards valued at more than \$25,000 in the public database for USASpending.gov as required by the Federal Funding Accountability and Transparency Act. This requirement ensures consistency of reporting to the public database; without it, public transparency is impacted.

Furthermore, the manual does not contain procedures on the required elements of a subaward agreement. Federal regulations (2 C.F.R. § 200.331(a)) require PTEs to ensure that each subaward agreement is clearly identified to the subrecipient as a subaward and that the subaward agreement includes 18 specific elements (See Appendix 4 for a list of required subaward elements.) at the time of award; if any of those elements change, the changes must be included in subsequent subaward modifications. When any of this information is not available, the PTE must provide the best information available to describe the Federal award and subaward.



Finally, we found the manual does not contain policies requiring the Division to document risk assessments and monitoring plans for subawards. Although the language in 2 C.F.R. § 200.331(b) does not explicitly require documentation supporting the Division's actions, we highlighted documentation as an important oversight process, but did not issue a formal recommendation in this audit report.

Because the Division did not comply with Federal regulations for management of subawards and did not make the proper subaward versus contract determinations, it could not follow the additional regulatory requirements governing subaward administration. These deficiencies impacted the public transparency of reporting of subawards valued at more than \$25,000 on USASpending.gov. In addition, by not conducting and documenting risk assessments and monitoring and including the required 18 elements in the subaward agreements as required, the Division put Federal funds at unnecessary risk for misuse.

Recommendations
<p>We recommend that the FWS work with the Division to:</p> <ol style="list-style-type: none"> <li>2. Update and implement its financial management process and procedure manual issued in November 2019 to ensure the manual complies with 2 C.F.R § 200.331 and Federal Funding Accountability and Transparency Act requirements for the proper administration and reporting for subawards</li> <li>3. Develop and implement training that is based on the updated and implemented manual for Division personnel responsible for subaward management on the administration of subawards</li> </ol>

### Inaccurate In-Kind Hunter Education Volunteer Hours

The Division did not accurately report and claim the correct number of volunteer hours on its 2018 hunter education grant (Grant No. F17AF01048). We found that the Division both over- and underreported some hours, but the net outcome resulted in the Division claiming 33.2 hours more than it was entitled, resulting in a \$582 overage (see Figure 1).

**Figure 1: Over- and Underreported Hours\***

Volunteer Hour Category	Hours	Amount (\$)
Overreported	53.2	933
Underreported	20.0	351
<b>Total Ineligible</b>	<b>33.2</b>	<b>\$582</b>

\* An hourly rate of \$17.54 was used for these calculations.

Federal regulations (2 C.F.R. § 200.306(b)(1)) state that for all Federal awards, the non-Federal entity's records must be able to verify any third-party in-kind contributions. In addition, 2 C.F.R. § 200.403(g) requires entities to properly document and support volunteer hours.

The Division does not, however, have written policies and procedures to collect, record, and validate volunteer hours. The Division started using volunteer time as an in-kind match in 2017; therefore, it is still learning how to properly collect, record, and report these hours. Thus far, the Division has only communicated the process for doing so verbally.

### **Recommendations**

We recommend that the FWS work with the Division to:

4. Resolve the overclaimed in-kind value of \$582
5. Develop and implement written policies and procedures to collect, validate, and report hunter education volunteer hours
6. Train personnel in collecting, validating, and reporting hunter education volunteer hours, using the written policies and procedures developed in Recommendation 5

### **Timely Reporting of Program Income**

The Division has a standing timber sale contract on Barbour Wildlife Management Area that requires payment by September 30 each year. The Division manages the lease under the Wildlife Development and Operations grants that run from October 1 to September 30 (Grant Nos. F16AF01148 and F17AF01089) and receives the payment by September 30. Checks are deposited, but processing is not completed until October. The Division reported spending the program income on the Federal Financial Report, standard form (SF) 425, for the grant beginning in October but did not report any unexpended program income on the SF-425 for the grant ending in September.

Federal regulations (2 C.F.R. § 200.80) define program income as income earned that is related to the grant or earned as a result of the Federal award during the performance period. Federal regulations (50 C.F.R. § 80.124) allow entities to use unexpended program income under a subsequent grant for any activity eligible for funding in the grant program that generated the income.

The Division did not consider that, although it received the program income after the grant had ended, it had earned the program income during the previous grant's performance period; therefore, the program income belonged to the previous grant. Division personnel believed that they should attribute income received after the performance period had ended to the next grant. The Division's practice of not reporting program income earned during the performance period of a grant did not comply with Federal regulations.

## Recommendations

We recommend that the FWS work with the Division to:

7. Properly account for program income generated and earned during the grant period, paying attention to those grants closing at the end of the State fiscal year
8. Report any unexpended program income earned from the timber sale contract on the grant that was open when the revenue was received
9. Document the use of previously unexpended program income on a closed grant on the financial report for the open grant under which the unexpended program income was used

## Ineligible Program Income

The Division sold lists of hunting and fishing license holders to outside entities and reported the fees collected for the sale of these lists as program income on Grant Nos. F16AF01148 and F17AF01089 in the amounts of \$8,915 and \$8,505, respectively. These fees, however, were not grant generated, so the Division cannot use the fees as program income. The FWS approved the Division to use the deductive method for program income on these grants. Therefore, thinking these fees were program income, the Division deducted these amounts from the grants before seeking reimbursement of net allowable costs from the FWS. As a result, the FWS did not reimburse the Division for the correct amount of its share of net allowable costs.

Federal regulations (2 C.F.R. § 200.80) define program income as income the non-Federal entity earns that is directly generated by a grant-supported activity. The sale of license holder information is not directly generated by a grant but is instead a by-product of license sales. The *Federal Grants Management Process and Procedure Manual* used by the Division mentions program income but does not define it or clarify what is and is not included. In addition, 2 C.F.R. § 200.307(e)(1) states that entities must deduct program income from total allowable costs to determine net allowable costs.

Division personnel had received grant training, but they inappropriately identified the sale of license holder lists as program income. Division personnel have stated they would no longer classify the sales as program income.

<b>Recommendations</b>
<p>We recommend that the FWS work with the Division to:</p> <ul style="list-style-type: none"><li>10. Ensure that the sale of hunting and fishing license holder data is not identified and used as program income</li><li>11. Retrain personnel on what is eligible as program income</li><li>12. Develop and implement formal policies and procedures to identify, track, and report program income according to grant agreements and regulations</li></ul>



### Unreported Barter Transactions

The Division enters into noncash agreements (i.e., barter agreements) that allow farmers to grow crops on State wildlife and game areas in exchange for leaving a portion of the crop to improve and maintain wildlife habitat, which directly relates to grant-supported wildlife management activities. The Division provided documentation of 30 barter transactions that occurred during our audit period and did not report the barter transactions on their SF-425, as required. Division personnel did not know of the requirement to report barter transactions on the SF-425.

Federal regulations require each State to report any barter transactions and what those barter transactions entail on their financial reports. The regulations (50 C.F.R. § 80.98) further detail how a State fish and wildlife agency must report barter transactions, which includes disclosing the transactions in the “Remarks” sections of the financial report.

Because the Division did not report barter transactions, the FWS could not review the transactions that occurred on WSFR-funded Division-managed property, reducing its ability to effectively monitor WSFR grants.

<b>Recommendation</b>
<p>We recommend that the FWS work with the Division to:</p> <ul style="list-style-type: none"><li>13. Develop policies and procedures for reporting barter transactions on their SF-425 according to Federal regulations</li></ul>

## Late Federal Financial Reporting

We reviewed the due dates for SF-425 submission for 70 grants that were open during the audit period and found that the Division submitted 11 late. Of the 11 grants, we found that 7 did not have extensions granted by the FWS; the remaining 4 grants had FWS-approved extensions, but the Division still failed to meet the extended due date.

Federal regulations (2 C.F.R. § 200.343(a)) state that grantees must submit the required SF-425 within 90 days of the end of the grant. The *FWS Service Manual* 516 FW 1.10 (A) and (B) states that the Division may request a one-time due date extension of 90 days with justification for requesting an extension.

When we asked why the Division submitted reports late, the Division told us it was understaffed and the personnel responsible for tracking due dates were consumed by other duties.

Without timely submission of the SF-425s, the Division cannot demonstrate that grant expenditures were necessary and reasonable for project completion. As a result, the FWS cannot rely on the reports to determine whether Program funds were expended appropriately and whether grant objectives were met.

### Recommendations

We recommend that the FWS work with the Division to:

14. Develop and implement a tracking system to ensure that SF-425s are submitted in a timely manner
15. Staff and train personnel to ensure staff understands the importance of completing and submitting the reports to the FWS in a timely manner

## Observation Concerning Real Property

At the time of the audit, the FWS and the Division had not performed a real property reconciliation, as required. Federal regulations (2 C.F.R. § 200.329) state that the Federal awarding agency must require a non-Federal entity to submit reports at least annually on the status of real property in which the Federal Government retains an interest, unless the real property interest extends 15 years or longer. In instances in which Federal interest is attached for 15 years or more, the Federal awarding agency may, at its option, require the non-Federal entity to report at various multiyear frequencies, not to exceed a 5-year reporting period.

The Division and the FWS had not committed sufficient resources to ensure that the reconciliation was completed, and because the reconciliation had not been completed before we began our audit, the Division and the FWS could not ensure that lands acquired under WSFR were being used for their intended purposes.

We issued a Notice of Potential Finding and Recommendation to the Division, recommending that it complete the reconciliation. We received documentation from the FWS that it completed the reconciliation on June 2, 2020. We did not include a recommendation on this finding because the FWS already mitigated the issue.

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# Recommendations Summary

We recommend that the FWS work with the Division to:

1. Resolve the questioned costs related to the NBCI subaward agreement totaling \$5,000 (\$3,750 Federal share)
2. Update and implement its financial management process and procedure manual issued in November 2019 to ensure the manual complies with 2 C.F.R § 200.331 and Federal Funding Accountability and Transparency Act requirements for the proper administration and reporting for subawards
3. Develop and implement training that is based on the updated and implemented manual for Division personnel responsible for subaward management on the administration of subawards
4. Resolve the overclaimed in-kind value of \$582
5. Develop and implement written policies and procedures to collect, validate, and report hunter education volunteer hours
6. Train personnel in collecting, validating, and reporting hunter education volunteer hours, using the written policies and procedures developed in Recommendation 5
7. Properly account for program income generated and earned during the grant period, paying attention to those grants closing at the end of the State fiscal year
8. Report any unexpended program income earned from the timber sale contract on the grant that was open when the revenue was received
9. Document the use of previously unexpended program income on a closed grant on the financial report for the open grant under which the unexpended program income was used
10. Ensure that the sale of hunting and fishing license holder data is not identified and used as program income
11. Retrain personnel on what is eligible as program income
12. Develop and implement formal policies and procedures to identify, track, and report program income according to grant agreements and regulations
13. Develop policies and procedures for reporting barter transactions on their SF-425 according to Federal regulations

14. Develop and implement a tracking system to ensure that SF-425s are submitted in a timely manner
15. Staff and train personnel to ensure staff understands the importance of completing and submitting the reports to the FWS in a timely manner



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# Appendix 1: Scope and Methodology

## Scope

We audited the Alabama Department of Conservation and Natural Resources, Division of Wildlife and Freshwater Fisheries' (Division's) use of grants awarded by the U.S. Fish and Wildlife Service (FWS) under the Wildlife and Sport Fish Restoration Program (WSFR). The audit period included claims totaling \$89.3 million on 70 grants that were open during the State fiscal years (SFYs) that ended September 30, 2017, and September 30, 2018.

Because of the COVID-19 pandemic, we could not complete our audit on site. We gathered data remotely and communicated with Division personnel via email and telephone. We could not perform the equipment verification and review of grant projects specific to construction and restoration work in person; therefore, we relied on pictorial evidence provided by Division personnel.

## Methodology

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

We assessed whether internal control was significant to the audit objective. We determined that the Division's control activities and the following related principles were significant to the audit objectives:

- Management should design control activities to achieve objectives and respond to risks.
- Management should design the entity's information system and related control activities to achieve objectives and respond to risks.
- Management should implement control activities through policies.

We tested the operation and reliability of internal control over activities related to our audit objective. Our tests and procedures included:

- Examining the evidence that supports selected expenditures charged to the grants by the Division
- Reviewing transactions related to purchases, direct costs, drawdowns of reimbursements, in-kind contributions, and program income

- Interviewing Division employees
- Inspecting equipment and other property
- Determining whether the Division used hunting and fishing license revenue for the administration of fish and wildlife program activities
- Determining whether the State passed required legislation assenting to the provisions of the Pittman-Robertson Wildlife Restoration Act and the Dingell-Johnson Sport Fish Restoration Act
- Evaluating State policies and procedures for assessing risk and monitoring subawards
- Reviewing sites throughout the State (see Appendix 2 for a list of sites reviewed)

We found deficiencies in internal control resulting in our 15 findings, including an ineligible subaward payment, unsupported in-kind program income and eligibility, barter and financial reporting, and additional subaward oversight issues.

On the basis of the results of our initial assessments, we assigned a level of risk and selected a judgmental sample of transactions for testing. We used auditor judgment and considered risk levels relative to other audit work performed to determine the degree of testing performed in each area. Our sample selections were not generated using statistical sampling; therefore, we did not project the results of our tests to the total population of transactions.

This audit supplements, but does not replace, the audits required by the Single Audit Act Amendments of 1996. Single audit reports address controls over Statewide financial reporting, with emphasis on major programs. Our report focuses on the administration of the Alabama fish and wildlife agency and that agency's management of WSFR resources and license revenue.

Alabama provided computer-generated data from its official accounting system and from informal management information and reporting systems. We tested the data by sampling expenditures and verifying them against WSFR reports and source documents such as purchase orders, invoices, and payroll documentation. Although we assessed the accuracy of the transactions tested, we did not assess the reliability of the accounting system as a whole.

## Prior Audit Coverage

### OIG Audit Reports

We reviewed our last two audits of costs claimed by the Division on WSFR grants.<sup>5</sup> We followed up on the five recommendations from these reports and found that the U.S. Department of the Interior's Office of Policy, Management and Budget considered all five recommendations resolved and implemented.

### State Audit Reports

We reviewed the single audit reports for SFYs 2017 and 2018 to identify control deficiencies or other reportable conditions that affect WSFR. In those reports, the Schedule of Expenditures of Federal Awards indicated \$48.6 million (combined) in Federal expenditures related to WSFR but did not include any findings directly related to WSFR, which was not deemed a major program for Statewide audit purposes.

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<sup>5</sup> *U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of Alabama, Department of Conservation and Natural Resources, Division of Wildlife and Freshwater Fisheries, From October 1, 2012, Through September 30, 2014* (Report No. 2015-EXT-043), dated September 2016.  
*U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of Alabama, Department of Conservation and Natural Resources, Division of Wildlife and Freshwater Fisheries, From October 1, 2007, Through September 30, 2009* (Report No. R-GR-FWS-0005-2010), dated August 2010.

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## Appendix 2: Sites Reviewed

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Headquarters	Montgomery
District Offices	Enterprise Jacksonville Northport
Fish Hatcheries	Eastaboga Marion
Boating Access Facilities	Leesburg Smith Lake Park
Wildlife Management Areas	Barbour County Lowndes James D Martin - Skyline
Hunter Education Facilities	Pike County Community Archery Park Red Eagle Skeet and Trap Club Southside Community Archery Park Wetumpka Community Archery Park
Subrecipient	Auburn University
Other	Lee County Public Fishing Lake

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## Appendix 3: Monetary Impact

The audit period included claims totaling \$89.3 million on 70 grants that were open during the State fiscal years that ended September 30, 2017, and September 30, 2018. We questioned \$5,000 (\$3,750 Federal share) as ineligible costs.

### Monetary Impact: Questioned Costs (Federal Share)

Grant No.	Grant Title	Cost Category	Ineligible (\$)
F16AF01076	Technical Assistance	Subaward	3,750
<b>Total</b>			<b>\$3,750</b>

Source: OIG analysis of data provided by the Division of Wildlife and Freshwater Fisheries.

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## Appendix 4: Subaward Agreement Required Elements

Element Number	Element Name
1	Subrecipient's name
2	Subrecipient's unique identity identifier
3	Federal Award Identification Number
4	Federal award date (date of the award to the pass-through entity (PTE) from the Federal agency)
5	Subaward period of performance start and end date
6	Amount of Federal funds obligated by this action by the PTE
7	Total amount of Federal funds obligated to the subrecipient by the PTE, including the current subaward
8	The total amount of the Federal award committed to the subrecipient by the PTE
9	Federal award project description
10	Name of the Federal awarding agency, the PTE, and contact information for the PTE's awarding official
11	Catalog of Federal Domestic Assistance number and name
12	Identification that the award is for research and development
13	Indirect cost rate for the Federal award (including the de minimis rate, if applicable)
14	Requirements imposed by the PTE on the subrecipient so that the Federal award is used according to Federal statutes and the terms of the original grant award
15	Any additional requirements that the PTE imposes on the subrecipient so the PTE can meet its own responsibilities to the Federal awarding agency, including identifying the required financial and performance reports
16	The approved federally recognized indirect cost rate or, if none exists, a rate negotiated between the PTE and the subrecipient, or a de minimis rate
17	A requirement that the PTE and auditors have access to the subrecipient's records and financial statements
18	Appropriate terms and conditions concerning closeout of the subaward

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## **Appendix 5: Responses to Draft Report**

The combined Alabama Department of Conservation and Natural Resources, Division of Wildlife and Freshwater Fisheries, and U.S. Fish and Wildlife Service response to our draft report follows on page 20.



# United States Department of the Interior

## FISH AND WILDLIFE SERVICE

1875 Century Blvd  
Atlanta, Georgia 30345  
December 17, 2020



IN REPLY REFER TO:  
FWS/R2/R4/WSFR

Nicki Miller, Regional Manager, Eastern Region  
U.S. Department of the Interior  
Office of Inspector General  
381 Elden Street, Suite 3000  
Herndon, VA 20170

Re: Draft Audit Report – U.S. Fish and Wildlife Service Grants Awarded to the State of Alabama, Department of Conservation and Natural Resources, Division of Wildlife and Freshwater Fisheries, From October 1, 2016, Through September 30, 2018 Under the Wildlife and Sport Fish Restoration Program. Report No. 2020-ER-013, Issued 11/05/2020

Dear Ms. Miller:

The enclosed response to the draft audit report referenced above was developed by the State of Alabama Department of Conservation and Natural Resources, Division of Wildlife and Freshwater Fisheries, in cooperation with the U.S. Fish and Wildlife Service South Atlantic - Gulf and Mississippi Basin Unified Regions Wildlife and Sport Fish Restoration Program.

If you have any questions or need additional information, please contact Alex Coley at (404) 679-7242.

Sincerely,

Paul A. Wilkes, Regional Manager  
Wildlife and Sport Fish Restoration

Enclosure

Cc: Ord Bargerstock, Shuwen Cheung  
Division of Financial Assistance Support and Oversight



## **Response to Draft Report**

**U.S. FISH AND WILDLIFE SERVICE  
WILDLIFE AND SPORT FISH RESTORATION PROGRAM  
Grants Awarded to the State of Alabama Department of Conservation and Natural  
Resources, Division of Wildlife and Freshwater Fisheries  
From October 1, 2016, Through September 30, 2018  
Report No. 2020-ER-013, Issued November 5, 2020**

### **Auditor Recommendation 1**

The auditors recommend that the FWS resolve the questioned costs related to the NBCI subaward agreement totaling \$5,000 (\$3,750 Federal share).

### **Agency Response**

The Agency agrees with the finding and will address the recommendation in a pending Corrective Action Plan.

### **Service Response**

The Service concurs with the auditor's finding.

### **Auditor Recommendation 2**

The auditors recommend that the FWS require the Division to update and implement its financial management process and procedure manual issued in November 2019 to ensure the manual complies with 2 C.F.R § 200.331 and Federal Funding Accountability and Transparency Act requirements for the proper administration and reporting for subawards.

### **Agency Response**

The Agency agrees with the finding and will address the recommendation in a pending Corrective Action Plan.

### **Service Response**

The Service concurs with the auditor's finding.

### **Auditor Recommendation 3**

The auditors recommend that the FWS require the Division to develop and implement training that is based on the updated and implemented manual for Division personnel responsible for subaward management on the administration of subawards.

### **Agency Response**

The Agency agrees with the finding and will address the recommendation in a pending Corrective Action Plan.

### **Service Response**

The Service concurs with the auditor's finding.

### **Auditor Recommendation 4**

The auditors recommend that the FWS resolve the over-claimed in-kind value of \$582.

### **Agency Response**

The Agency agrees with the finding and will address the recommendation in a pending Corrective Action Plan.

### **Service Response**

The Service concurs with the auditor's finding.

### **Auditor Recommendation 5**

The auditors recommend that the FWS require the Division to develop and implement written policies and procedures to collect, validate, and report hunter education volunteer hours.

### **Agency Response**

The Agency agrees with the finding and will address the recommendation in a pending Corrective Action Plan.

### **Service Response**

The Service concurs with the auditor's finding.

### **Auditor Recommendation 6**

The auditors recommend that the FWS require the Division to train personnel in collecting, validating, and reporting hunter education volunteer hours, using the written policies and procedures developed in Recommendation 5.

### **Agency Response**

The Agency agrees with the finding and will address the recommendation in a pending Corrective Action Plan.

### **Service Response**

The Service concurs with the auditor's finding.

### **Auditor Recommendation 7**

The auditors recommend that the FWS require the Division to properly account for program income generated and earned during the grant period, paying attention to those grants closing at the end of the State fiscal year.

### **Agency Response**

The Agency agrees with the finding and will address the recommendation in a pending Corrective Action Plan.

### **Service Response**

The Service concurs with the auditor's finding.

### **Auditor Recommendation 8**

The auditors recommend that the FWS require the Division to report any unexpended program income earned from the timber sale contract on the grant that was open when the revenue was received.

### **Agency Response**

The Agency agrees with the finding and will address the recommendation in a pending Corrective Action Plan.

### **Service Response**

The Service concurs with the auditor's finding.

### **Auditor Recommendation 9**

The auditors recommend that the FWS require the Division to document the use of previously unexpended program on a closed grant on the financial report for the open grant under which the unexpended program income was used.

### **Agency Response**

The Agency agrees with the finding and will address the recommendation in a pending Corrective Action Plan.

### **Service Response**

The Service concurs with the auditor's finding.

### **Auditor Recommendation 10**

The auditors recommend that the FWS require the Division to ensure that the sale of hunting and fishing license-holder data is not identified and used as program income.

### **Agency Response**

The Agency agrees with the finding and will address the recommendation in a pending Corrective Action Plan.

### **Service Response**

The Service concurs with the auditor's finding.

### **Auditor Recommendation 11**

The auditors recommend that the FWS require the Division to retrain personnel on what is eligible as program income.

### **Agency Response**

The Agency agrees with the finding and will address the recommendation in a pending Corrective Action Plan.

### **Service Response**

The Service concurs with the auditor's finding.

### **Auditor Recommendation 12**

The auditors recommend that the FWS require the Division to develop and implement formal policies and procedures to identify, track, and report program income according to grant agreements and regulations.

### **Agency Response**

The Agency agrees with the finding and will address the recommendation in a pending Corrective Action Plan.

### **Service Response**

The Service concurs with the auditor's finding.

### **Auditor Recommendation 13**

The auditors recommend that the FWS require the Division to develop policies and procedures for reporting barter transactions on their Federal financial report (SF-425) according to Federal regulations.

#### **Agency Response**

The Agency agrees with the finding and will address the recommendation in a pending Corrective Action Plan.

#### **Service Response**

The Service concurs with the auditor's finding.

### **Auditor Recommendation 14**

The auditors recommend that the FWS require the Division to develop and implement a tracking system to ensure that FFRs are submitted in a timely manner.

#### **Agency Response**

The Agency agrees with the finding and will address the recommendation in a pending Corrective Action Plan.

#### **Service Response**

The Service concurs with the auditor's finding.

### **Auditor Recommendation 15**

The auditors recommend that the FWS require the Division to staff and train personnel to ensure staff understands the importance of completing and submitting the reports to the FWS in a timely manner.

#### **Agency Response**

The Agency agrees with the finding and will address the recommendation in a pending Corrective Action Plan.

#### **Service Response**

The Service concurs with the auditor's finding.

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## Appendix 6: Status of Recommendations

Recommendation	Status	Action Required
1 – 15	Resolved but not implemented:	Complete a corrective action plan that includes information on actions taken or planned to address the recommendations, target dates and titles of the officials responsible for implementation, and verification that FWS headquarters officials reviewed and approved the actions the State has taken or planned.
	U.S. Fish and Wildlife Service (FWS) regional officials concurred with these recommendations and will work with staff from the Alabama Department of Conservation and Natural Resources, Division of Wildlife and Freshwater Fisheries, to develop and implement a corrective action plan.	We will refer the recommendations not implemented at the end of 90 days (after May 17, 2021) to the Assistant Secretary for Policy, Management and Budget to track implementation.

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